

Message Text

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PAGE 01 OTTAWA 00649 182225Z
ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01
COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02
SS-15 STR-04 TRSE-00 ACDA-07 FEA-01 PA-01 PRS-01 /103 W
-----182229 102140 /70

P R 181909Z FEB 77
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 2511
INFO AMCONSUL MONTREAL
ALL OTHER CONGENS IN CANADA

LIMITED OFFICIAL USE OTTAWA 649

E.O. 11652: N/A
TAGS: ENRG, CA
SUBJ: ENERGY: ENERGY MINES AND RESOURCES (EMR) CONTRACTING
COST OVER-RUN STUDY ON PROPOSED MACKENZIE VALLEY PIPELINE

1. DURING QUESTION PERIOD IN HOUSE OF COMMONS FEBRUARY 16
EMR MINISTER ALASTAIR GILLESPIE ACKNOWLEDGED THAT HIS
DEPARTMENT HAS COMMISSIONED FENCO ENGINEERING TO STUDY
POSSIBLE COST OVER-RUNS ON THE MACKENZIE PIPELINE. GILLESPIE
SAID THAT ALTHOUGH THERE HAVE BEEN LEAKS TO THE PRESS
REGARDING ITS PURPORTED FINDINGS, NEITHER HE NOR HIS STAFF
AT EMR HAVE SEEN STUDY. HE SAID HE EXPECTED STUDY TO BE
COMPLETED AND IN HIS HANDS "WITHIN THE NEXT FEW WEEKS."

2. COMMENT: RECENT MEDIA COVERAGE OF PIPELINE ISSUE HAS
HIGHLIGHTED ARCTIC GAS CONSORTIUM'S DECLARED
INTENTION TO SEEK FINANCIAL GUARANTEES FROM USG AND GOC.
OPPONENTS OF PIPELINE PROJECT HAVE SO FAR MADE THIS ONE
OF THEIR LEADING ARGUMENTS, SAYING THAT CANADIAN TAXPAYERS
SHOULD NOT BE ASKED TO UNDERWRITE FINANCIAL BACK-
STOPPING FOR A PROJECT THAT WILL LARGELY BENEFIT US
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CONSUMERS. IN SEEKING THIS ASSESSMENT INDEPENDENT OF
COST OVER-RUN ESTIMATES DEVELOPED DURING CURRENT HEARINGS ON
PROJECT PROPOSAL BY THE NATIONAL
ENERGY BOARD (NEB), GILLESPIE AND COMPANY DEMONSTRATE
UNDERSTANDABLE SENSITIVITY TO VOLATILITY OF THIS ISSUE.
BEFORE MAKING ITS FINAL DECISION ON THE PIPELINE GOC
MUST ACCURATELY JUDGE DEGREE OF FINANCIAL AND POLITICAL

EXPOSURE IT WILL RISK SHOULD IT APPROVE THE PROJECT
WITH FINANCIAL GUARANTEES. GILLESPIE RIGHTLY DOES
NOT WANT TO TAKE THIS STEP RELYING SOLELY ON NEB
ESTIMATE OF POSSIBLE COST OVER-RUNS. HE WILL WANT
ALL THE INDEPENDENT DATA BACKUP HE CAN MUSTER TO
WITHSTAND THE ATTACK THAT WILL INEVITABLY BE LAUNCHED BY PIPE-
LINE OPPONENTS ON THIS ISSUE.

3. EMBASSY WILL FORWARD REPORT TO DEPARTMENT WHEN
AVAILABLE.
DUEMLING

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Message Attributes

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Disposition Approved on Date:
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